Before the
Federal Communications Commission
Washington, D.C. 20554

In the Matter of	)	
	)	
Presubscribed Interexchange Carrier Charges	)	CC Docket No. 02-53
	)	

REPLY COMMENTS OF SPRINT CORPORATION

Sprint Corporation (Sprint), on behalf of its local and long distance operations, hereby respectfully submits its reply to comments filed in the above-captioned proceeding on June 14, 2002.

Introduction and Summary

In its comments, Sprint explained why there was no reason for the Commission to overturn current PIC-change charge tariffs. The Commission correctly concluded in establishing the $5 safe harbor that this charge "would reflect some cost recovery and would not pose a barrier to competitive entry or exercise of customer choice."[1] The PIC-change charges have not impeded competition and have not deterred customer selection. Furthermore, the long distance competition that developed since inception of the PIC-change charge has resulted in new requirements and complexities that have increased

[1] *Investigation of Access and Divestiture Related Tariffs*, CC Docket No. 83-1145, Phase I, Memorandum Opinion and Order, 55 Rad. Reg. 2d (P&F) 1422, (Apr. 27, 1984) (*1984 Access Tariff Order)* at App. B, 13-5.

costs associated with managing the PIC process such that current PIC-change rates, at least for Sprint's local telephone companies, remain reasonable. Finally, the Commission must recognize that use of BOC rates or costs as a proxy for other ILECs is wholly inappropriate.

The comments of the other parties in large measure support the views of Sprint in this proceeding. In these reply comments, Sprint responds to comments urging across-the-board reductions in PIC-change charges. Specifically, Sprint strongly disagrees with assertions that costs have declined sharply since the inception of PIC-change charges, and disagrees with those parties that urge the Commission to ignore critical PIC-change related functions. Sprint opposes the application of any costing methodology that would ignore company-specific costs. Also, in these replies, Sprint opposes implications that PIC-change charges be converted to access charges assessed on IXCs.

The Comments Demonstrate that PIC-Change Costs have not Decreased Since the Inception of PIC-Change Charges

Contrary to assertions by proponents of across-the-board reductions to LECs' PIC-change charges, the comments demonstrate that costs of PIC-change administration have not declined. Many parties maintain that PIC-change related costs have, in fact, increased.[2] As Sprint pointed out in its comments, those parties asserting sharp declines in costs urge the Commission to simply ignore significant PIC-change related activities.[3] For example, ASCENT urges the Commission to exclude slamming-related costs even

[2] See, e.g., Beacon at 2, NECA and OPASTCO at 3, BellSouth at 5, NTCA at 2-3.
[3] Sprint at 10.

though it admits that "*all carriers*, not merely incumbent LECs, incur real costs in responding to customer inquiries and concerns regarding unauthorized PIC changes and *all carriers* have experienced an increase in the amount of time spent with customers as a result of the Commission's slamming rules."[4] Since, as ASCENT recognizes, all carriers, including incumbent LECs, incur real costs in dealing with slamming, ignoring these real costs would deny LECs recovery of these real costs. In urging exclusion of such costs from the Commission's evaluation, ASCENT apparently characterizes them as "extraneous".[5] But as SBC points out, the carrier obligations and costs related to slamming are "a direct result of correcting an unauthorized PIC change and thus cannot be divorced from PIC-change costs."[6] Managing slamming-related activities in compliance with the Commission's slamming rules is an inextricable part of a LEC's PIC-change processes.

Similarly, costs associated with establishing and removing customer PIC-freezes are undeniably tied to PIC-change processes. A PIC freeze protects a customer's PIC selection and Sprint concurs with SBC's experience that many freeze requests that LECs receive are made in conjunction with a carrier change request.[7] Therefore, costs LECs incur in managing PIC freezes today -- costs that were not present when the safe harbor was established -- must be taken into consideration in any evaluation of PIC-change costs.

[4] ASCENT at 10. (Italics in original).
[5] ASCENT at 1.
[6] SBC at 9.
[7] SBC at 6.

In addition to costs associated with slamming and PIC-freezes, several commenters made a note of the CARE systems that have been implemented after the inception of PIC-change charges. CARE systems are fundamental to the PIC-change process and Sprint fully supports the establishment and use of CARE as an efficient and effective means for LECs to communicate customer record information with IXCs. Sprint also recognizes the significant costs associated with creating, operating, and maintaining CARE systems. Therefore, CARE system development, operation, and maintenance costs, in addition to the considerable costs for manual processing, need to be considered in evaluating the reasonableness of PIC-change charges. When all of the PIC-related functions are considered, Sprint's tariff rates for PIC-changes are reasonable and cost-justified.

Any Evaluation of Costs must be Company-Specific

Sprint disagrees with suggestions by NASUCA and WorldCom that the Commission adopt cost methodologies that would ignore company-specific circumstances and company-specific costs. WorldCom urges the Commission not to permit ILECs to recover their actual costs and instead base PIC-change rates on the costs of the "most technologically efficient system."[8] NASUCA suggests the Commission employ a version of total element long run incremental cost that "would not require a cost analysis for every ILEC."[9] Sprint opposes application of a costing methodology that

[8] WorldCom at 7.
[9] NASUCA at 5.

would not take into consideration the costs its local telephone companies actually incur in fulfilling their PIC-change duties.

In their comments, Sprint and other non-BOC companies pointed to differences in their circumstances that would drive differences in PIC-change costs and rates. For example, because of Sprint's smaller customer base, it would have fewer PIC-change demand quantities over which to spread its fixed PIC-change costs and therefore could not achieve the per-unit cost that could be achieved by a BOC.[10] In this regard, Sprint notes that it performed less than one-fifth the volume of PIC changes performed by Verizon in 2001.[11] Sprint's local telephone companies cannot approach the economies of size, scope, and scale enjoyed by the BOCs and, therefore, any costing methodology must take into consideration company-specific circumstances. Sprint is concerned that a "most technologically efficient system" standard, as WorldCom proposes, or a methodology that would not allow for a company-specific analysis, as NASUCA suggests, would not recognize significant differences between Sprint (and other independent ILECs) and the BOCs. Any approach that does not recognize these differences should be rejected.

Sprint Opposes Shifting PIC-Change Charges into Access Charges

In its comments, BellSouth proposes bringing the PIC-change charge under price cap regulation, stating that this would "enable the ILECs to make price adjustments within a defined set of rules without the need to perform time and resource consuming

[10] Sprint at 14.
[11] See Verizon Attachment B, page 2.

cost studies."[12] Verizon suggests states that "since current price cap rates were initialized to recover the residual costs not recovered through the $5.00 rate, if that rate were reduced, the residual revenues would have to be recovered from all customers in the form of usage based and per-line rates."[13] PIC-change charges, which are driven by end user decisions to switch their presubscribed long distance service provider, should not be transformed into access charges assessed on IXCs.

With respect to BellSouth's proposal, it is not clear how the PIC-change charge would be brought under price caps. In which price cap basket would the charge be placed? Would the charge be placed in its own price cap service band or placed in a service band with other rate elements? What rate structure rules would apply, if any? In short, what pricing flexibility would be afforded under BellSouth's proposal? To the extent BellSouth's proposal would allow price cap LECs flexibility to shift recovery of the PIC-change charge from a per-transaction end user rate to access charge assessed on IXCs, Sprint strongly objects.

Verizon's observation as to the role PIC-change charges played in the initialization of access charges under price caps is a fact. Sprint's local telephone companies reduced access charge revenue requirements in the initial price cap filing by subtracting PIC-change charge revenue and therefore would have had higher access charges had the PIC-change charge been lower. However, as stated above, Sprint strongly opposes any change that would now shift PIC-change charges to access charges as Verizon implies.

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[12] BellSouth at 2-4.
[13] Verizon at 1.

First, shifting this charge from an end user charge to an IXC charge would abandon the cost-causation principle, since it is the end user decision that causes a PIC-change to occur. Second, shifting the charge into carrier access charges would be anti-competitive. As the BOCs continue to obtain 271 approvals, levying charges on their long distance competitors when an end user switches to the BOC's long distance service is plainly improper.

Conclusion

As illustrated in comments and in these replies, due to the increased requirements and functionality associated with managing the PIC-change process, costs have not decreased since the inception of PIC-change charges. Furthermore, any evaluation of PIC-change costs must take into consideration company-specific circumstances and costs. Finally, The Commission should reject any proposal that would shift PIC-change charges to access charges.

Respectfully submitted,

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CERTIFICATE OF SERVICE

I, Joyce Walker, do hereby certify that this 1st day of July 2002 served via U.S. First Class Mail, postage prepaid, electronic mail or hand delivery, a copy of the foregoing Reply Comments of Sprint Corporation, filed this date with the Secretary, Federal Communications Commission, and to the persons listed below.

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